

HEALTH QUARTERLY STATEMENT

AS OF March 31, 2004

OF THE CONDITIONS AND AFFAIRS OF THE

Better Health Plans, Inc.

| | | | | | | |
|---------------------------------------|--|----------------|--|---|----------------------|------------|
| NAIC Group Code | 2718 | 2718 | NAIC Company Code | 11139 | Employer's ID Number | 62-1839257 |
| | (Current Period) | (Prior Period) | | | | |
| Organized under the Laws of | Tennessee | | State of Domicile or Port of Entry | Tennessee | | |
| Country of Domicile | United States of America | | | | | |
| Licensed as business type: | Life, Accident & Health [] Dental Service Corporation [] Other [] | | Property/Casualty[] Vision Service Corporation [] Is HMO Federally Qualified? Yes[] No[X] | Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization [X] | | |
| Incorporated | 08/09/2000 | | Commenced Business | 07/01/2001 | | |
| Statutory Home Office | 1000 Ridgeway Loop Road, Suite 203 (Street and Number) | | | Memphis, TN 38120 (City, or Town, State and Zip Code) | | |
| Main Administrative Office | | | 300 Oxford Drive (Street and Number) | | | |
| | Monroeville, PA 15146 (City, or Town, State and Zip Code) | | | (412)858-4000 (Area Code)(Telephone Number) | | |
| Mail Address | 300 Oxford Drive (Street and Number) | | | Monroeville, PA 15146 (City, or Town, State and Zip Code) | | |
| Primary Location of Books and Records | | | 300 Oxford Drive (Street and Number) | | | |
| | Monroeville, PA 15146 (City, or Town, State and Zip Code) | | | (412)858-4000 (Area Code)(Telephone Number) | | |
| Internet Website Address | www.trhp.com | | | | | |
| Statutory Statement Contact | Leslie Ann Gelpi (Name) | | | (412)858-4145 (Area Code)(Telephone Number) | | |
| | lgelpi@trhp.com (E-Mail Address) | | | (412)457-1414 (Fax Number) | | |
| Policyowner Relations Contact | | | 300 Oxford Drive (Street and Number) | | | |
| | Monroeville, PA 15146 (City, or Town, State and Zip Code) | | | (800)414-9025 (Area Code)(Telephone Number) | | |

OFFICERS

| | |
|---|---------------------------|
| Chief Executive Officer/ President | Thomas Warren Carmichael |
| Secretary/Treasurer | William Howard Lawson Jr. |
| Vice President-Finance/Ass. Secy/Ass. Treasurer | Leslie Ann Gelpi |
| Vice President-Marketing & Provider Relations | Jennifer Lee Kessler |
| Vice President - Operations | Fred Owen Madill |
| Vice President/General Counsel | David William Thomas |
| Compliance Officer | Heather Rachelle Miller |
| Vice President – Medical Operations | Shirley Jean Blevins |

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

| | |
|--------------------------|---------------------------|
| Thomas Warren Carmichael | William Howard Lawson Jr. |
| John Hull Dobbs Jr. | |

State of Pennsylvania

County of Allegheny

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively, or (3) includes supplemental ASO reconciliation statements for the state agency involved, according to the best of their information, knowledge and belief, respectively.

| | | |
|--------------------------|----------------------------|--|
| (Signature) | (Signature) | (Signature) |
| Thomas Warren Carmichael | William Howard Lawson, Jr. | Leslie Ann Gelpi |
| (Printed Name) | (Printed Name) | (Printed Name) |
| CEO/President | Secretary/Treasurer | VP Finance/Asst.Treasurer/Asst.Secretary |

Subscribed and sworn to before me this

| | | |
|-------------------------|--------------------------------|----------------|
| _____ day of _____ 2004 | a. Is this an original filing? | Yes [x] No [] |
| | b. If no, | |
| | 1. State the amendment number | _____ |
| | 2. Date filed | _____ |
| | 3. Number of pages attached | _____ |

(Notary Public Signature)

ASSETS

| | | Current Statement Date | | | 4 |
|----------------------|---|------------------------|--------------------|-----------------------------------|---|
| | | 1 | 2 | 3 | |
| | | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | December 31, Prior Year Net Admitted Assets |
| 1. | Bonds | 1,413,109 | | 1,413,109 | 1,119,954 |
| 2. | Stocks: | | | | |
| 2.1 | Preferred stocks | | | | |
| 2.2 | Common stocks | | | | |
| 3. | Mortgage loans on real estate: | | | | |
| 3.1 | First liens | | | | |
| 3.2 | Other than first liens | | | | |
| 4. | Real estate: | | | | |
| 4.1 | Properties occupied by the company (less \$..... encumbrances) | | | | |
| 4.2 | Properties held for the production of income (less \$..... encumbrances) | | | | |
| 4.3 | Properties held for sale (less \$..... encumbrances) | | | | |
| 5. | Cash (\$.....8,270,161), cash equivalents (\$.....) and short-term investments \$.....) | 8,270,161 | | 8,270,161 | 8,461,400 |
| 6. | Contract loans (including \$..... premium notes) | | | | |
| 7. | Other invested assets | | | | |
| 8. | Receivable for securities | | | | |
| 9. | Aggregate write-ins for invested assets | | | | |
| 10. | Subtotals, cash and invested assets (Lines 1 to 9) | 9,683,270 | | 9,683,270 | 9,581,354 |
| 11. | Investment income due and accrued | 18,441 | | 18,441 | 27,465 |
| 12. | Premiums and considerations: | | | | |
| 12.1 | Uncollected premiums and agents' balances in the course of collection | | | | |
| 12.2 | Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums) | | | | |
| 12.3 | Accrued retrospective premiums | | | | |
| 13. | Reinsurance: | | | | |
| 13.1 | Amounts recoverable from reinsurers | | | | |
| 13.2 | Funds held by or deposited with reinsured companies | | | | |
| 13.3 | Other amounts receivable under reinsurance contracts | | | | |
| 14. | Amounts receivable relating to uninsured plans | 64,207 | | 64,207 | 40,098 |
| 15.1 | Current federal and foreign income tax recoverable and interest thereon ... | | | | |
| 15.2 | Net deferred tax asset | | | | |
| 16. | Guaranty funds receivable or on deposit | | | | |
| 17. | Electronic data processing equipment and software | | | | |
| 18. | Furniture and equipment, including health care delivery assets (\$.....) | | | | |
| 19. | Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 20. | Receivables from parent, subsidiaries and affiliates | 6,000 | | 6,000 | |
| 21. | Health care (\$.....) and other amounts receivable | | | | |
| 22. | Other assets nonadmitted | | | | |
| 23. | Aggregate write-ins for other than invested assets | 71,898 | 71,898 | | |
| 24. | Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 9,843,816 | 71,898 | 9,771,918 | 9,648,917 |
| 25. | From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 26. | TOTALS (Lines 24 and 25) | 9,843,816 | 71,898 | 9,771,918 | 9,648,917 |
| DETAILS OF WRITE-INS | | | | | |
| 0901 | ..... |  |  |  |  |
| 0902 | ..... |  |  |  |  |
| 0903 | ..... |  |  |  |  |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | | | |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) | | | | |
| 2301. | Prepaid Expenses | 71,898 | 71,898 | | |
| 2302 | ..... |  |  |  |  |
| 2303 | ..... |  |  |  |  |
| 2398. | Summary of remaining write-ins for Line 23 from overflow page | | | | |
| 2399. | TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | 71,898 | 71,898 | | |

LIABILITIES, CAPITAL AND SURPLUS

| | | Current Period | | | Prior Year |
|----------------------|---|----------------|----------------|------------|------------|
| | | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. | Claims unpaid (less \$..... reinsurance ceded) | 4,945,328 | | 4,945,328 | 4,898,815 |
| 2. | Accrued medical incentive pool and bonus amounts | | | | |
| 3. | Unpaid claims adjustment expenses | 327,006 | | 327,006 | 275,743 |
| 4. | Aggregate health policy reserves | | | | |
| 5. | Aggregate life policy reserves | | | | |
| 6. | Property/casualty unearned premium reserve | | | | |
| 7. | Aggregate health claim reserves | | | | |
| 8. | Premiums received in advance | 291,006 | | 291,006 | 291,006 |
| 9. | General expenses due or accrued | 39,303 | | 39,303 | 39,243 |
| 10.1 | Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses)) | | | | |
| 10.2 | Net deferred tax liability | | | | |
| 11. | Ceded reinsurance premiums payable | | | | |
| 12. | Amounts withheld or retained for the account of others | | | | |
| 13. | Remittances and items not allocated | | | | |
| 14. | Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) | | | | |
| 15. | Amounts due to parent, subsidiaries and affiliates | 154,821 | | 154,821 | 139,402 |
| 16. | Payable for securities | | | | |
| 17. | Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) | | | | |
| 18. | Reinsurance in unauthorized companies | | | | |
| 19. | Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 20. | Liability for amounts held under uninsured accident and health plans | | | | |
| 21. | Aggregate write-ins for other liabilities (including \$..... current) | | | | |
| 22. | Total liabilities (Lines 1 to 21) | 5,757,464 | | 5,757,464 | 5,644,209 |
| 23. | Common capital stock | X X X | X X X | 100 | 100 |
| 24. | Preferred capital stock | X X X | X X X | | |
| 25. | Gross paid in and contributed surplus | X X X | X X X | 2,989,400 | 2,989,400 |
| 26. | Surplus notes | X X X | X X X | | |
| 27. | Aggregate write-ins for other than special surplus funds | X X X | X X X | | |
| 28. | Unassigned funds (surplus) | X X X | X X X | 1,024,954 | 1,015,208 |
| 29. | Less treasury stock, at cost: | | | | |
| | 29.1 shares common (value included in Line 23 \$.....) | X X X | X X X | | |
| | 29.2 shares preferred (value included in Line 24 \$.....) | X X X | X X X | | |
| 30. | Total capital and surplus (Lines 23 to 28 minus Line 29) | X X X | X X X | 4,014,454 | 4,004,708 |
| 31. | Total liabilities, capital and surplus (Lines 22 and 30) | X X X | X X X | 9,771,918 | 9,648,917 |
| DETAILS OF WRITE-INS | | | | | |
| 2101 | ..... |  |  |  |  |
| 2102 | ..... |  |  |  |  |
| 2103 | ..... |  |  |  |  |
| 2198. | Summary of remaining write-ins for Line 21 from overflow page | | | | |
| 2199. | TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) | | | | |
| 2701 | ..... | X X X | X X X | | |
| 2702 | ..... | X X X | X X X | | |
| 2703 | ..... | X X X | X X X | | |
| 2798. | Summary of remaining write-ins for Line 27 from overflow page | X X X | X X X | | |
| 2799. | TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) | X X X | X X X | | |

STATEMENT OF REVENUE AND EXPENSES

| | | Current Year To Date | | Prior Year To Date |
|------------------------------|--|----------------------|------------|-----------------------|
| | | 1 Uncovered | 2 Total | 3 Total |
| 1. | Member Months | X X X | | |
| 2. | Net premium income (including \$..... non-health premium income) | X X X | | 52,884 |
| 3. | Change in unearned premium reserves and reserves for rate credits | X X X | | |
| 4. | Fee-for-service (net of \$..... medical expenses) | X X X | | |
| 5. | Risk revenue | X X X | | |
| 6. | Aggregate write-ins for other health care related revenues | X X X | | |
| 7. | Aggregate write-ins for other non-health revenues | X X X | | |
| 8. | Total revenues (Lines 2 to 7) | X X X | | 52,884 |
| Hospital and Medical: | | | | |
| 9. | Hospital/medical benefits | | | 47,846 |
| 10. | Other professional services | | | 7,915 |
| 11. | Outside referrals | | | |
| 12. | Emergency room and out-of-area | | | (1,089) |
| 13. | Prescription drugs | | | (9,719) |
| 14. | Aggregate write-ins for other hospital and medical | | | |
| 15. | Incentive pool, withhold adjustments and bonus amounts | | | |
| 16. | Subtotal (Lines 9 to 15) | | | 44,953 |
| Less: | | | | |
| 17. | Net reinsurance recoveries | | | |
| 18. | Total hospital and medical (Lines 16 minus 17) | | | 44,953 |
| 19. | Non-health claims | | | |
| 20. | Claims adjustment expenses, including \$.....(6,167) cost containment expenses | | (15,561) | 11,353 |
| 21. | General administrative expenses | | (40,663) | 43,258 |
| 22. | Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) | | | |
| 23. | Total underwriting deductions (Lines 18 through 22) | | (56,224) | 99,564 |
| 24. | Net underwriting gain or (loss) (Lines 8 minus 23) | X X X | 56,224 | (46,680) |
| 25. | Net investment income earned | | 25,449 | 33,380 |
| 26. | Net realized capital gains (losses) | | | |
| 27. | Net investment gains or (losses) (Lines 25 plus 26) | | 25,449 | 33,380 |
| 28. | Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] | | | |
| 29. | Aggregate write-ins for other income or expenses | | | |
| 30. | Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) | X X X | 81,673 | (13,300) |
| 31. | Federal and foreign income taxes incurred | X X X | 15,419 | |
| 32. | Net income (loss) (Lines 30 minus 31) | X X X | 66,254 | (13,300) |
| DETAILS OF WRITE-INS | | | | |
| 0601 | ..... | X X X | | |
| 0602 | ..... | X X X | | |
| 0603 | ..... | X X X | | |
| 0698. | Summary of remaining write-ins for Line 6 from overflow page | X X X | | |
| 0699. | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | X X X | | |
| 0701 | ..... | X X X | | |
| 0702 | ..... | X X X | | |
| 0703 | ..... | X X X | | |
| 0798. | Summary of remaining write-ins for Line 7 from overflow page | X X X | | |
| 0799. | TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) | X X X | | |
| 1401 | ..... |  |  |  |
| 1402 | ..... |  |  |  |
| 1403 | ..... |  |  |  |
| 1498. | Summary of remaining write-ins for Line 14 from overflow page | | | |
| 1499. | TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) | | | |
| 2901 | ..... |  |  |  |
| 2902 | ..... |  |  |  |
| 2903 | ..... |  |  |  |
| 2998. | Summary of remaining write-ins for Line 29 from overflow page | | | |
| 2999. | TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) | | | |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | | 1 | 2 |
|---------------------------------------|--|-------------------------|------------|
| | | Current Year To Date | Prior Year |
| CAPITAL & SURPLUS ACCOUNT | | | |
| 33. | Capital and surplus prior reporting year | 4,004,708 | 3,521,561 |
| GAINS AND LOSSES TO CAPITAL & SURPLUS | | | |
| 34. | Net income or (loss) from Line 32 | 66,254 | 270,606 |
| 35. | Change in valuation basis of aggregate policy and claim reserves | | |
| 36. | Net unrealized capital gains and losses | | |
| 37. | Change in net unrealized foreign exchange capital gain or (loss) | | |
| 38. | Change in net deferred income tax | | |
| 39. | Change in nonadmitted assets | (56,508) | 212,541 |
| 40. | Change in unauthorized reinsurance | | |
| 41. | Change in treasury stock | | |
| 42. | Change in surplus notes | | |
| 43. | Cumulative effect of changes in accounting principles | | |
| 44. | Capital Changes: | | |
| 44.1 | Paid in | | |
| 44.2 | Transferred from surplus (Stock Dividend) | | |
| 44.3 | Transferred to surplus | | |
| 45. | Surplus adjustments: | | |
| 45.1 | Paid in | | |
| 45.2 | Transferred to capital (Stock Dividend) | | |
| 45.3 | Transferred from capital | | |
| 46. | Dividends to stockholders | | |
| 47. | Aggregate write-ins for gains or (losses) in surplus | | |
| 48. | Net change in capital and surplus (Lines 34 to 47) | 9,746 | 483,147 |
| 49. | Capital and surplus end of reporting period (Line 33 plus 48) | 4,014,454 | 4,004,708 |
| DETAILS OF WRITE-INS | | | |
| 4701 | ..... |  |  |
| 4702 | ..... |  |  |
| 4703 | ..... |  |  |
| 4798. | Summary of remaining write-ins for Line 47 from overflow page | | |
| 4799. | TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) | | |

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES
March 31, 2004

Prepared in accordance with instructions from TDCI

| | Current Quarter | Current Year | Previous Year |
|--|-----------------|--------------|---------------|
| | Total | Total | Total |
| MEMBER MONTHS | 138,112 | 138,112 | 536,603 |
| REVENUES: | | | |
| 1. TennCare Capitation | Current Qtr | YTD | |
| Capitation | - | - | |
| ASO Administrative fees received | 1,781,756 | 1,781,756 | |
| ASO Medical expense | ##### | 14,405,330 | |
| Premium Tax Expense | 318,731 | 318,731 | |
| 2. Adverse Selection | - | - | - |
| 3. Total (Lines 1 and 2) | 16,505,817 | 16,505,817 | 65,943,723 |
| 4. Investment | 25,449 | 25,449 | 114,076 |
| 5. Other Revenue (Provide detail) | - | - | - |
| 6. TOTAL (Lines 3 to 5) | 16,531,266 | 16,531,266 | 66,057,799 |
| EXPENSES: | | | |
| Medical and Hospital Services | | | |
| 7. Capitated Physician Services | 79,301 | 79,301 | 180,667 |
| 8. Fee for Service Physician Services | 6,477,943 | 6,477,943 | 22,468,972 |
| 9. Inpatient Hospital Services | 3,728,848 | 3,728,848 | 15,322,917 |
| 10. Outpatient Services | 1,679,804 | 1,679,804 | 5,297,693 |
| 11. Emergency Room Services | 815,636 | 815,636 | 2,641,170 |
| 12. Mental Health Services | - | - | - |
| 13. Dental Services | - | - | - |
| 14. Vision Services | 64,924 | 64,924 | 274,638 |
| 15. Pharmacy Services | 277 | 277 | 7,398,511 |
| 16. Home Health Services | 730 | 730 | 145 |
| 17. Chiropractic Services | 701 | 701 | 3,342 |
| 18. Radiology Services | 646,710 | 646,710 | 1,880,709 |
| 19. Laboratory Services | 190,158 | 190,158 | 716,962 |
| 20. Durable Medical Equipment Services | 392,818 | 392,818 | 1,516,726 |
| 21. Transportation Services | 275,807 | 275,807 | 1,568,151 |
| 22. Outside Referrals | - | - | - |
| 23. Medical Incentive Pool and Withhold Adjustments | - | - | - |
| 24. Occupancy, Depreciation and Amortization | - | - | - |
| 25. Other Medical and Hospital Services (Provide Detail) | 39,565 | 39,565 | 163,476 |
| 27. Subtotal (Lines 7 to 26) | 14,393,222 | 14,393,222 | 59,434,079 |
| LESS: | | | |
| 28. Net Reinsurance Recoveries | (74,515) | (74,515) | (343,513) |
| 29. Copayments | 30,240 | 30,240 | - |
| 30. Subrogation and Coordination of Benefits | 32,167 | 32,167 | - |
| Subtotal (Lines 27 to 29) | (12,108) | (12,108) | (343,513) |
| 31. TOTAL MEDICAL AND HOSPITAL (Line 26 less 30) | 14,405,330 | 14,405,330 | 59,777,592 |
| Administration: | | | |
| 32. Compensation | - | - | - |
| 33. Marketing | - | - | - |
| 34. Interest Expense | - | - | - |
| 35. Premium Tax Expense | 318,731 | 318,731 | 3,251 |
| 36. Occupancy, Depreciation and Amortization | - | - | - |
| 37. Other Administration (Provide detail) ** | 1,725,532 | 1,725,532 | 5,866,947 |
| 38. TOTAL ADMINISTRATION (Lines 32 to 37) | 2,044,263 | 2,044,263 | 5,870,198 |
| 39. TOTAL EXPENSES (Lines 31 and 38) | 16,449,593 | 16,449,593 | 65,647,790 |
| 40. Extraordinary Item | - | - | - |
| 41. Provision for Income Tax | 15,419 | 15,419 | 139,403 |
| 42. NET INCOME/(LOSS) (Line 6 less Lines 39, 40 and 41) | 66,254 | 66,254 | 270,606 |

| | | | |
|--|-----------|-----------|-----------|
| -- Other Administration Detail | | | |
| Administration Fees * | 1,646,928 | 1,646,928 | 5,653,893 |
| Unpaid Claims Adjustment Expense - Change in Reserve | 51,263 | 51,263 | (24,192) |
| ASO Admin Fees | - | - | - |
| Payroll Taxes | - | - | - |
| Pharmacy Admin Fees | - | - | 54,186 |
| Legal Fees | (7,388) | (7,388) | 42,073 |
| Accounting Fees | 9,500 | 9,500 | 40,875 |
| Consulting | 37 | 37 | 763 |
| Liability Insurance | 20,230 | 20,230 | 81,207 |
| Dues, Fees & Subscriptions | 20 | 20 | 20 |
| Bank Fees | 4,942 | 4,942 | 22,422 |
| State Tax | - | - | - |
| Penalty assessed by TennCare | - | - | (4,300) |
| Case Mgmt Fees | - | - | - |
| Total Other Administration | 1,725,532 | 1,725,532 | 5,866,947 |

* Includes Administrative Fees paid to Affiliates

| | | | |
|----------------------------|-------|--------|---------|
| Other Medical and Hospital | | | |
| Misc Medical Expense | - | - | - |
| Case Management fees | 39565 | 39,565 | 163,476 |

CASH FLOW

| | | 1 Current Year To Date | 2 Prior Year Ended December 31 |
|---|---|---------------------------------|---|
| Cash from Operations | | | |
| 1. | Premiums collected net of reinsurance | | 178,042 |
| 2. | Net investment income | 43,006 | 152,368 |
| 3. | Miscellaneous income | | |
| 4. | Total (Lines 1 through 3) | 43,006 | 330,410 |
| 5. | Benefit and loss related payments | (46,513) | 2,352,699 |
| 6. | Net transfers to Separate, Segregated Accounts and Protected Cell Accounts | | |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | (20,930) | (799,273) |
| 8. | Dividends paid to policyholders | | |
| 9. | Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) | | |
| 10. | Total (Lines 5 through 9) | (67,443) | 1,553,426 |
| 11. | Net cash from operations (Line 4 minus Line 10) | 110,449 | (1,223,016) |
| Cash from Investments | | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| 12.1 | Bonds | | |
| 12.2 | Stocks | | |
| 12.3 | Mortgage loans | | |
| 12.4 | Real estate | | |
| 12.5 | Other invested assets | | |
| 12.6 | Net gains or (losses) on cash, cash equivalents and short-term investments | | |
| 12.7 | Miscellaneous proceeds | | |
| 12.8 | Total investment proceeds (Lines 12.1 to 12.7) | | |
| 13. | Cost of investments acquired (long-term only): | | |
| 13.1 | Bonds | 301,688 | |
| 13.2 | Stocks | | |
| 13.3 | Mortgage loans | | |
| 13.4 | Real estate | | |
| 13.5 | Other invested assets | | |
| 13.6 | Miscellaneous applications | | |
| 13.7 | Total investments acquired (Lines 13.1 to 13.6) | 301,688 | |
| 14. | Net increase (or decrease) in policy loans and premium notes | | |
| 15. | Net cash from investments (Line 12.8 minus Lines 13.7 and 14) | (301,688) | |
| Cash from Financing and Miscellaneous Sources | | | |
| 16. | Cash provided (applied): | | |
| 16.1 | Surplus notes, capital notes | | |
| 16.2 | Capital and paid in surplus, less treasury stock | | |
| 16.3 | Borrowed funds | | |
| 16.4 | Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 | Dividends to stockholders | | |
| 16.6 | Other cash provided (applied) | | (61,981) |
| 17. | Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | | (61,981) |
| RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS | | | |
| 18. | Net change in cash and short-term investments (Lines 11 plus 15 plus 17) | (191,239) | (1,284,997) |
| 19. | Cash and short-term investments: | | |
| 19.1 | Beginning of year | 8,461,400 | 9,746,397 |
| 19.2 | End of period (Line 18 plus Line 19.1) | 8,270,161 | 8,461,400 |

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

| Description | | Amount 1 | Amount 2 |
|-------------|-------|-------------|-------------|
| 20.0001 | | | |

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|----------|------------------------------------|-------|---------------------|-------------|-------------|---------------------------------------|----------------------|--------------------|-----------|-------------------|----------------|-------|
| | | 2 | 3 | | | | | | | | | | |
| | Total | Individual | Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other |
| Total Members at end of: | | | | | | | | | | | | | |
| 1. Prior Year | | | | | | | | | | | | | |
| 2. First Quarter | | | | | | | | | | | | | |
| 3. Second Quarter | | | | | | | | | | | | | |
| 4. Third Quarter | | | | | | | | | | | | | |
| 5. Current Year | | | | | | | | | | | | | |
| 6. Current Year Member Months | | | | | | | | | | | | | |
| Total Member Ambulatory Encounters for Period: | | | | | | | | | | | | | |
| 7. Physician | | | | | | | | | | | | | |
| 8. Non-Physician | | | | | | | | | | | | | |
| 9. Total | | | | | | | | | | | | | |
| 10. Hospital Patient Days Incurred | | | | | | | | | | | | | |
| 11. Number of Inpatient Admissions | | | | | | | | | | | | | |
| 12. Health Premiums Written | | | | | | | | | | | | | |
| 13. Life Premiums Direct | | | | | | | | | | | | | |
| 14. Property/Casualty Premiums Written | | | | | | | | | | | | | |
| 15. Health Premiums Earned | | | | | | | | | | | | | |
| 16. Property/Casualty Premiums Earned | | | | | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | (46,513) | | | | | | | | (46,513) | | | | |
| 18. Amount Incurred for Provision of Health Care Services | | | | | | | | | | | | | |

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

| Aging Analysis of Unpaid Claims | | | | | | |
|--|-------------|--------------|--------------|---------------|---------------|-----------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Account | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | 91 - 120 days | Over 120 Days | Total |
| 0199999 Individually Listed Claims Unpaid | | | | | | |
| 0299999 Aggregate Accounts Not Individually Listed - Uncovered | | | | | | |
| 0399999 Aggregate Accounts Not Individually Listed - Covered | 168 | | | | | 168 |
| 0499999 Subtotals | 168 | | | | | 168 |
| 0599999 Unreported claims and other claim reserves | | | | | | 4,945,160 |
| 0699999 Total Amounts Withheld | | | | | | |
| 0799999 Total Claims Unpaid | | | | | | 4,945,328 |
| 0899999 Accrued Medical Incentive Pool And Bonus Amounts | | | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

| Line of Business | | Claims Paid Year to Date | | Liability End of Current Quarter | | 5 Claims Incurred in Prior Years (Columns 1+3) | 6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year |
|------------------------|--|--|---|--|---|---|--|
| | | 1 | 2 | 3 | 4 | | |
| | | On Claims Incurred Prior to January 1 of Current Year | On Claims Incurred During the Year | On Claims Unpaid Dec.31 of Prior Year | On Claims Incurred During the Year | | |
| 1. | Comprehensive (hospital & medical) ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 2. | Medicare Supplement ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3. | Dental only ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 4. | Vision only ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 5. | Federal Employees Health Benefits Plan ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 6. | Title XVIII - Medicare ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 7. | Title XIX - Medicaid | (46,513) | ..... | 4,945,328 | ..... | 4,898,815 | 4,898,815 |
| 8. | Other health ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9. | Health subtotal (Lines 1 to 8) | (46,513) | ..... | 4,945,328 | ..... | 4,898,815 | 4,898,815 |
| 10. | Other non-health ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 11. | Medical incentive pools, and bonus amounts ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 12. | TOTALS | (46,513) | ..... | 4,945,328 | ..... | 4,898,815 | 4,898,815 |

Notes to Financial Statement

Related Party Transactions

At March 31, 2004, the Company reported the following amounts payable:

No amounts due to Three Rivers Administrative Services, LLC, (also owned by Three Rivers Holdings, Inc) for amounts due under the Administrative Services Agreement. Payment is made monthly. Total expense incurred under this agreement is \$1,686,493.

Capital and Surplus

Unassigned surplus was reduced by the following amounts:

non admitted asset values \$71,898

Gain or Loss from Uninsured Plans:

The gain from operations from ASO uninsured plan was as follows for the first quarter 2004 year-to-date:

| | ASO Uninsured Plans |
|---|---------------------|
| a. Net reimbursement for administrative expenses in excess (deficit) of actual expenses | \$ 56,038 |
| b. Total net other income or expenses | \$ - |
| c. Net gain or loss from operations (net of tax) | \$ 45,459 |
| d. Total claim payment volume | \$ 13,520,779 |

Health Care Receivables:

Pharmaceutical Rebate Receivables:

As the company is operating as an ASO, no pharmacy rebates have been estimated since June 30, 2002. Rebates for periods after June 30, 2002, are reported on a cash basis as received and forwarded to TennCare. Received amounts listed below are calculated based on the date the PBM notified the Company of the invoiced rebates. The amounts listed below include payments received on behalf of TennCare under the ASO arrangement. No pharmacy rebate receivable balance is reported on the financial statements as no amounts are receivable prior to the ASO arrangement and all ASO activity is reported on a cash basis, including the amounts listed as invoiced/confirmed in the chart below for the quarters ending after June 30, 2002.

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements (Original Estimate) | Pharmacy Rebates as Invoiced/ Confirmed | Actual Rebates Collected Within 90 Days of receiving Invoice | Actual Rebates Collected Within 91 to 180 Days of receiving Invoice | Actual Rebates Collected More Than 180 Days After receiving Invoice |
|----------|--|---|--|---|---|
| 6/30/03 | 0 | 87,889 | 0 | 87,889 | 0 |
| 3/31/03 | 0 | 125,339 | | 112,027 | 13,312 |
| 12/31/02 | 0 | 132,681 | 0 | 104,538 | 28,143 |
| 9/30/02 | 0 | 126,399 | 0 | 110,477 | 15,922 |
| 6/30/02 | 133,963 | 144,478 | 2,710 | 136,033 | 5,735 |
| 3/31/02 | 126,366 | 133,923 | 0 | 112,334 | 21,589 |
| 12/31/01 | 117,277 | 178,806 | 0 | 142,088 | 36,718 |
| 9/30/01 | 0 | 158,496 | 0 | 130,488 | 28,008 |

GENERAL INTERROGATORIES
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes[] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 3.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organization chart

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 | 2 | 3 |
|----------------|-------------------|-------------------|
| Name of Entity | NAIC Company Code | State of Domicile |
| | | |

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[] N/A[X]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

02/05/2004
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- 7.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| Affiliate Name | Location (City, State) | FRB | OCC | OTS | FDIC | SEC |
| | | . Yes[] No[X] | . Yes[] No[X] | . Yes[] No[X] | . Yes[] No[X] | . Yes[] No[X] |

INVESTMENT

- 10.1 Has there been any changes in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$
13. Amount of real estate and mortgages held in short-term investments:

\$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 14.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

| | | 1 | 2 |
|-------|--|-----------------------------------|------------------------------------|
| | | Prior Year-End Statement Value | Current Quarter Statement Value |
| 14.21 | Bonds ..... | ..... | ..... |
| 14.22 | Preferred Stock ..... | ..... | ..... |
| 14.23 | Common Stock ..... | ..... | ..... |
| 14.24 | Short-Term Investments ..... | ..... | ..... |
| 14.25 | Mortgages, Loans or Real Estate ..... | ..... | ..... |
| 14.26 | All Other ..... | ..... | ..... |
| 14.27 | Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) ..... | ..... | ..... |
| 14.28 | Total Investment in Parent included in Lines 14.21 to 14.26 above ..... | ..... | ..... |
| 14.29 | Receivable from Parent not included in Lines 14.21 to 14.26 above ..... | ..... | ..... |

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[] No[X]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[] N/A[X]
16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]
- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1 | 2 |
|---|--------------------------|
| Name of Custodian(s) | Custodian Address |
| First Tennessee Bank National Association | Memphis, Tennessee |

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1 | 2 | 3 |
|---------|-------------|-------------------------|
| Name(s) | Location(s) | Complete Explanation(s) |
| | | |

- 16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[] No[X]
- 16.4 If yes, give full and complete information relating thereto:

| 1 | 2 | 3 | 4 |
|---------------|---------------|-------------------|--------|
| Old Custodian | New Custodian | Date of Change | Reason |
| | | | |

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1 | 2 | 3 |
|------------------------------------|---------|---------|
| Central Registration Depository | Name(s) | Address |
| | | |

SCHEDULE A - VERIFICATION

| | | 1 | 2 |
|-----|---|--------------|---------------------------------|
| | | Year To Date | Prior Year Ended December 31 |
| 1. | Book/adjusted carrying value, December 31 of prior year | | |
| 2. | Increase (decrease) by adjustment | | |
| 3. | Cost of acquired | | |
| 4. | Cost of additions to and permanent improvements | | |
| 5. | Total profit (loss) on sales | | |
| 6. | Increase (decrease) by foreign exchange adjustment | | |
| 7. | Amount received on sales | | |
| 8. | Book/adjusted carrying value at end of current period | | |
| 9. | Total valuation allowance | | |
| 10. | Subtotal (Lines 8 plus 9) | | |
| 11. | Total nonadmitted amounts | | |
| 12. | Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) | | |

SCHEDULE B - VERIFICATION

| | | 1 | 2 |
|-----|--|--------------|---------------------------------|
| | | Year To Date | Prior Year Ended December 31 |
| 1. | Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year .. | | |
| 2. | Amount loaned during period: | | |
| 2.1 | Actual cost at time of acquisitions | | |
| 2.2 | Additional investment made after acquisitions | | |
| 3. | Accrual of discount and mortgage interest points and commitment fees | | |
| 4. | Increase (decrease) by adjustment | | |
| 5. | Total profit (loss) on sale | | |
| 6. | Amounts paid on account or in full during the period | | |
| 7. | Amortization of premium | | |
| 8. | Increase (decrease) by foreign exchange adjustment | | |
| 9. | Book value/recorded investment excluding accrued interest on mortgages owned at end of current period | | |
| 10. | Total valuation allowance | | |
| 11. | Subtotal (Lines 9 plus 10) | | |
| 12. | Total nonadmitted amounts | | |
| 13. | Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) | | |

SCHEDULE BA - VERIFICATION
Other Invested Assets Included in Schedule BA

| | | 1 | 2 |
|-------------|--|--------------|---------------------------------|
| Description | | Year To Date | Prior Year Ended December 31 |
| 1. | Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year | | |
| 2. | Cost of acquisitions during period: | | |
| 2.1 | Actual cost at time of acquisitions | | |
| 2.2 | Additional investment made after acquisitions | | |
| 3. | Accrual of discount | | |
| 4. | Increase (decrease) by adjustment | | |
| 5. | Total profit (loss) on sale | | |
| 6. | Amounts paid on account or in full during the period | | |
| 7. | Amortization of premium | | |
| 8. | Increase (decrease) by foreign exchange adjustment | | |
| 9. | Book/adjusted carrying value of long-term invested assets at end of current period | | |
| 10. | Total valuation allowance | | |
| 11. | Subtotal (Lines 9 plus 10) | | |
| 12. | Total nonadmitted amounts | | |
| 13. | Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) | | |

SCHEDULE D - VERIFICATION

| | | 1 | 2 |
|-----|---|--------------|---------------------------------|
| | | Year To Date | Prior Year Ended December 31 |
| 1. | Book/adjusted carrying value of bonds and stocks, December 31 of prior year | 1,119,954 | 1,153,235 |
| 2. | Cost of bonds and stocks acquired | 301,688 | |
| 3. | Accrual of discount | | |
| 4. | Increase (decrease) by adjustment | | (33,281) |
| 5. | Increase (decrease) by foreign exchange adjustment | | |
| 6. | Total profit (loss) on disposal | | |
| 7. | Consideration for bonds and stocks disposed of | | |
| 8. | Amortization of premium | 8,533 | |
| 9. | Book/adjusted carrying value, current period | 1,413,109 | 1,119,954 |
| 10. | Total valuation allowance | | |
| 11. | Subtotal (Lines 9 plus 10) | 1,413,109 | 1,119,954 |
| 12. | Total nonadmitted amounts | | |
| 13. | Statement value | 1,413,109 | 1,119,954 |

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

| | 1 Book/Adjusted Carrying Value Beginning of Current Quarter | 2 Acquisitions During Current Quarter | 3 Dispositions During Current Quarter | 4 Non-Trading Activity During Current Quarter | 5 Book/Adjusted Carrying Value End of First Quarter | 6 Book/Adjusted Carrying Value End of Second Quarter | 7 Book/Adjusted Carrying Value End of Third Quarter | 8 Book/Adjusted Carrying Value December 31 Prior Year |
|---|---|--|--|--|---|--|---|---|
| BONDS | | | | | | | | |
| 1. Class 1 | 1,119,954 | 301,688 | | (8,533) | 1,413,109 | | | 1,119,954 |
| 2. Class 2 | | | | | | | | |
| 3. Class 3 | | | | | | | | |
| 4. Class 4 | | | | | | | | |
| 5. Class 5 | | | | | | | | |
| 6. Class 6 | | | | | | | | |
| 7. TOTAL Bonds | 1,119,954 | 301,688 | | (8,533) | 1,413,109 | | | 1,119,954 |
| PREFERRED STOCK | | | | | | | | |
| 8. Class 1 | | | | | | | | |
| 9. Class 2 | | | | | | | | |
| 10. Class 3 | | | | | | | | |
| 11. Class 4 | | | | | | | | |
| 12. Class 5 | | | | | | | | |
| 13. Class 6 | | | | | | | | |
| 14. TOTAL Preferred Stock | | | | | | | | |
| 15. TOTAL Bonds & Preferred Stock | 1,119,954 | 301,688 | | (8,533) | 1,413,109 | | | 1,119,954 |

14 Schedule DA Part 1 - NONE

14 Schedule DA Part 2 Verification - NONE

15 Schedule DB Part F Section 1 - NONE

16 Schedule DB Part F Section 2 - NONE

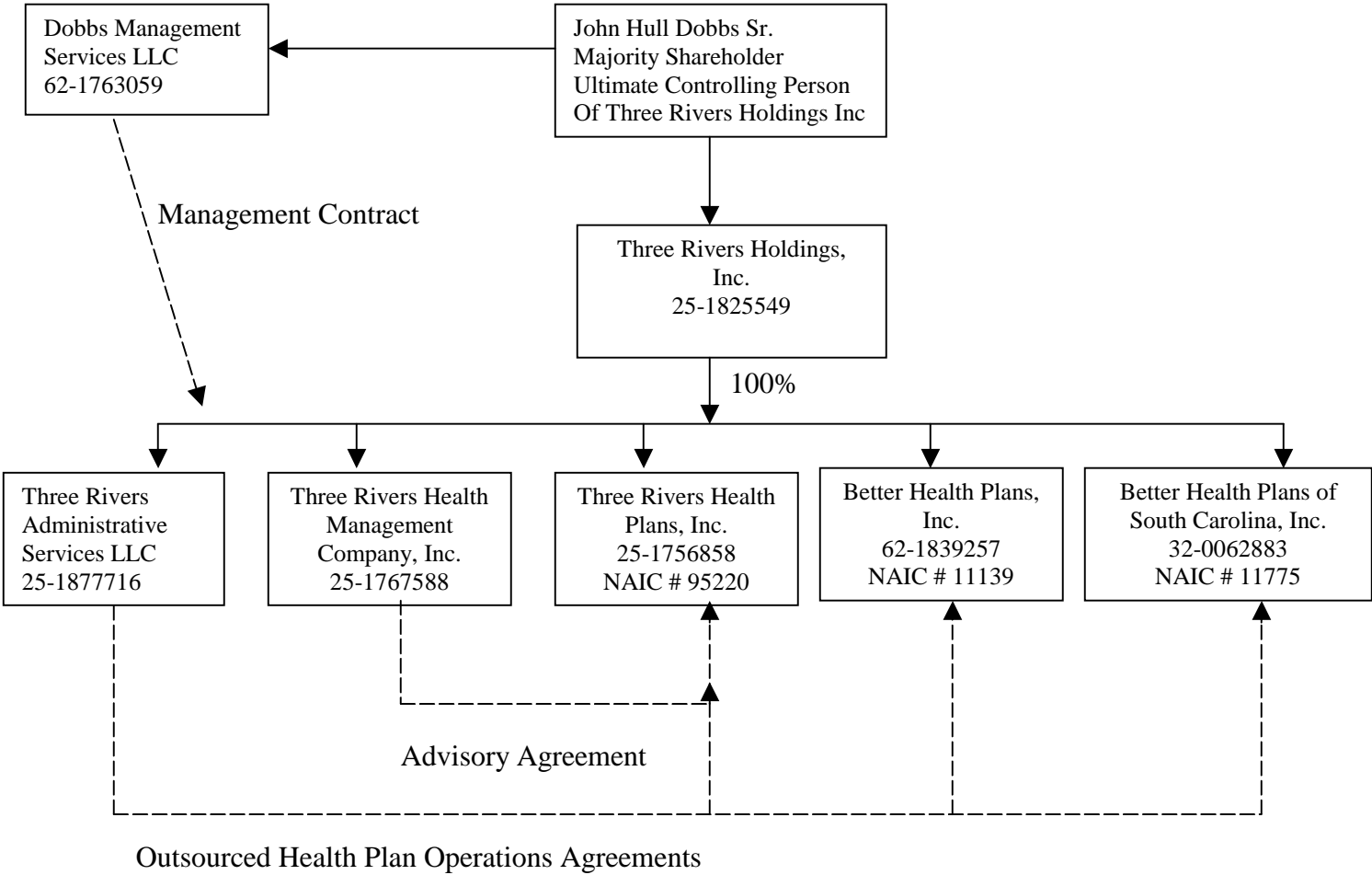
17 Schedule S Ceded Reinsurance - NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

| | | 1 Guaranty Fund (Yes or No) | 2 Is Insurer Licensed (Yes or No) | Direct Business Only Year-to-Date | | | | | |
|----------------------|---|---|---|--|----------------------------------|--------------------------------|---|---|--|
| | | | | 3 Accident and Health Premiums | 4 Medicare Title XVIII | 5 Medicaid Title XIX | 6 Federal Employees Health Benefits Program Premiums | 7 Life and Annuity Premiums and Deposit-Type Contract Funds | 8 Property/ Casualty Premiums |
| State, Etc. | | | | | | | | | |
| 1. | Alabama (AL) | No .. | No .. | | | | | | |
| 2. | Alaska (AK) | No .. | No .. | | | | | | |
| 3. | Arizona (AZ) | No .. | No .. | | | | | | |
| 4. | Arkansas (AR) | No .. | No .. | | | | | | |
| 5. | California (CA) | No .. | No .. | | | | | | |
| 6. | Colorado (CO) | No .. | No .. | | | | | | |
| 7. | Connecticut (CT) | No .. | No .. | | | | | | |
| 8. | Delaware (DE) | No .. | No .. | | | | | | |
| 9. | District of Columbia (DC) | No .. | No .. | | | | | | |
| 10. | Florida (FL) | No .. | No .. | | | | | | |
| 11. | Georgia (GA) | No .. | No .. | | | | | | |
| 12. | Hawaii (HI) | No .. | No .. | | | | | | |
| 13. | Idaho (ID) | No .. | No .. | | | | | | |
| 14. | Illinois (IL) | No .. | No .. | | | | | | |
| 15. | Indiana (IN) | No .. | No .. | | | | | | |
| 16. | Iowa (IA) | No .. | No .. | | | | | | |
| 17. | Kansas (KS) | No .. | No .. | | | | | | |
| 18. | Kentucky (KY) | No .. | No .. | | | | | | |
| 19. | Louisiana (LA) | No .. | No .. | | | | | | |
| 20. | Maine (ME) | No .. | No .. | | | | | | |
| 21. | Maryland (MD) | No .. | No .. | | | | | | |
| 22. | Massachusetts (MA) | No .. | No .. | | | | | | |
| 23. | Michigan (MI) | No .. | No .. | | | | | | |
| 24. | Minnesota (MN) | No .. | No .. | | | | | | |
| 25. | Mississippi (MS) | No .. | No .. | | | | | | |
| 26. | Missouri (MO) | No .. | No .. | | | | | | |
| 27. | Montana (MT) | No .. | No .. | | | | | | |
| 28. | Nebraska (NE) | No .. | No .. | | | | | | |
| 29. | Nevada (NV) | No .. | No .. | | | | | | |
| 30. | New Hampshire (NH) | No .. | No .. | | | | | | |
| 31. | New Jersey (NJ) | No .. | No .. | | | | | | |
| 32. | New Mexico (NM) | No .. | No .. | | | | | | |
| 33. | New York (NY) | No .. | No .. | | | | | | |
| 34. | North Carolina (NC) | No .. | No .. | | | | | | |
| 35. | North Dakota (ND) | No .. | No .. | | | | | | |
| 36. | Ohio (OH) | No .. | No .. | | | | | | |
| 37. | Oklahoma (OK) | No .. | No .. | | | | | | |
| 38. | Oregon (OR) | No .. | No .. | | | | | | |
| 39. | Pennsylvania (PA) | No .. | No .. | | | | | | |
| 40. | Rhode Island (RI) | No .. | No .. | | | | | | |
| 41. | South Carolina (SC) | No .. | No .. | | | | | | |
| 42. | South Dakota (SD) | No .. | No .. | | | | | | |
| 43. | Tennessee (TN) | No .. | Yes .. | | | | | | |
| 44. | Texas (TX) | No .. | No .. | | | | | | |
| 45. | Utah (UT) | No .. | No .. | | | | | | |
| 46. | Vermont (VT) | No .. | No .. | | | | | | |
| 47. | Virginia (VA) | No .. | No .. | | | | | | |
| 48. | Washington (WA) | No .. | No .. | | | | | | |
| 49. | West Virginia (WV) | No .. | No .. | | | | | | |
| 50. | Wisconsin (WI) | No .. | No .. | | | | | | |
| 51. | Wyoming (WY) | No .. | No .. | | | | | | |
| 52. | American Samoa (AS) | No .. | No .. | | | | | | |
| 53. | Guam (GU) | No .. | No .. | | | | | | |
| 54. | Puerto Rico (PR) | No .. | No .. | | | | | | |
| 55. | U.S. Virgin Islands (VI) | No .. | No .. | | | | | | |
| 56. | Canada (CN) | No .. | No .. | | | | | | |
| 57. | Aggregate other alien (OT) | X X X .. | X X X .. | | | | | | |
| 58. | TOTAL (Direct Business) | X X X .. | (a)..... 1 | | | | | | |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 5701 | ..... | X X X .. | X X X .. | | | | | | |
| 5702 | ..... | X X X .. | X X X .. | | | | | | |
| 5703 | ..... | X X X .. | X X X .. | | | | | | |
| 5798. | Summary of remaining write-ins for Line 57 from overflow page | X X X .. | X X X .. | | | | | | |
| 5799. | TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) | X X X .. | X X X .. | | | | | | |

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the SVO Compliance Certification be filed with this statement?

RESPONSES

Yes

Explanation:

Bar Code:

OVERFLOW PAGE FOR WRITE-INS

E01 Schedule A Part 2 - NONE

E01 Schedule A Part 3 - NONE

E02 Schedule B Part 1 - NONE

E02 Schedule B Part 2 - NONE

E03 Schedule BA Part 1 - NONE

E03 Schedule BA Part 2 - NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|--------------------------|---------|------------------------|-------------------------------------|------------------------------|---------------------|------------------------|---|---|
| CUSIP Identification | Description | Foreign | Date Acquired | Name of Vendor | Number of Shares of Stock | Actual Cost | Par Value | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| Bonds - U.S. Governments | | | | | | | | | |
| 912828AY6 | U.S. Treasury Note ..... | ..... | ..... 02/24/2004 | FTN Financial Capital Markets | X X X | 301,688 | 300,000.00 | 1,681 | 1 |
| 0399999 Subtotal - Bonds - U.S. Governments | | | | | X X X | 301,688 | 300,000.00 | 1,681 | X X X |
| 6099997 Subtotal - Bonds - Part 3 | | | | | X X X | 301,688 | 300,000.00 | 1,681 | X X X |
| 6099998 Summary Item for Bonds Bought and Sold This Quarter | | | | | X X X | X X X | X X X | X X X | X X X |
| 6099999 Subtotal - Bonds | | | | | X X X | 301,688 | 300,000.00 | 1,681 | X X X |
| 6599998 Summary Item for Preferred Stock Bought and Sold This Quarter | | | | | X X X | X X X | X X X | X X X | X X X |
| 7299998 Summary Item for Common Stock Bought and Sold This Quarter | | | | | X X X | X X X | X X X | X X X | X X X |
| 7399999 Subtotal - Preferred and Common Stock | | | | | X X X | X X X | X X X | X X X | X X X |
| 7499999 Total - Bonds, Preferred and Common Stock | | | | | X X X | 301,688 | X X X | 1,681 | X X X |

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E05 Schedule D Part 4 - NONE

E06 Schedule DB Part A Section 1 - NONE

E06 Schedule DB Part B Section 1 - NONE

E07 Schedule DB Part C Section 1 - NONE

E07 Schedule DB Part D Section 1 - NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

| 1 | | | 2 | 3 | 4 | 5 | Book Balance at End of Each Month | | | 9 |
|---|-----------------|--|-------|------------------|--|--|-----------------------------------|--------------|-------------|-------|
| | | | | | | | During Current Quarter | | | |
| Depository | | | Code | Rate of Interest | Amount of Interest Received During Current Quarter | Amount of Interest Accrued at Current Statement Date | 6 | 7 | 8 | * |
| | | | | | | | First Month | Second Month | Third Month | |
| open depositories | | | | | | | | | | |
| PNC Bank - Operating Account | Monroeville, PA | | | 0.823 | 17,687 | 5,477 | 8,437,552 | 7,811,606 | 8,259,715 | X X X |
| PNC Bank - ASO Account | Monroeville, PA | | | 0.674 | 1,785 | | 88,034 | 138,719 | 8,110 | X X X |
| 0199998 Deposits in .....1 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories | | | X X X | X X X | | | 2,362 | 29,345 | 2,336 | X X X |
| 0199999 Totals - Open Depositories | | | X X X | X X X | 19,472 | 5,477 | 8,527,948 | 7,979,670 | 8,270,161 | X X X |
| 0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories | | | X X X | X X X | | | | | | X X X |
| 0299999 Totals - Suspended Depositories | | | X X X | X X X | | | | | | X X X |
| 0399999 Total Cash On Deposit | | | X X X | X X X | 19,472 | 5,477 | 8,527,948 | 7,979,670 | 8,270,161 | X X X |
| 0499999 Cash in Company's Office | | | X X X | X X X | X X X | X X X | | | | X X X |
| 0599999 Total Cash | | | X X X | X X X | 19,472 | 5,477 | 8,527,948 | 7,979,670 | 8,270,161 | X X X |



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with making all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for provisionally exempt securities and new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities that have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware that, by its nature, would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender's collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

Better Health Plan's investments are comprised of class 1 US Treasury Notes, Federal Government Agencies, or Special Revenue/Special Assessment Bonds. These investments are reported at amortized value.

Leslie A. Gelpi
Name of Investment Officer

Signature of Investment Officer

Vice President, Finance/Asst. Treasury/Asst. Secretary
Title of Signatory

Date